

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;  
Mark Acton, Vice Chairman;  
Tony L. Hammond; and  
Nanci E. Langley

Modification of Analytic Principles  
Used in Periodic Reporting  
(Proposals Four through Eight)

Docket No. RM2011-12

Public Representatives Comments in Response to Order No. 810

(September 9, 2011)

The Public Representative provides comments pursuant to Commission Order No. 810.<sup>1</sup> In that Order, the Commission established Docket No. RM2011-12 to receive comments from interested persons, including the undersigned Public Representative, addressing the Postal Service's request for changes to analytical principles used in Postal Service's periodic reporting to the Commission on postal products and services.<sup>2</sup>

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<sup>1</sup> See Notice of Proposed Rulemaking on Analytic Principles used in Periodic Reporting (Proposals Four through Eight), August 17, 2011 (herein "Order No. 810").

<sup>2</sup> See Petition of the United States Postal Service Requesting Initiation of a Proceeding to consider proposed changes in Analytical Principles (Proposals Four – Eight), August 8, 2011 (herein "Request").

The Postal Service's request is made pursuant to Commission Order No. 203, which established final rules governing the form and content of periodic reports.<sup>3</sup> 39 C.F.R. § 3050.11 of the final rules permits the Postal Service to petition the Commission to request "changes (in) accepted analytical principles under the informal rulemaking procedures in 5 U.S.C. 553".

These comments will address each of the Postal Service's five proposals.

#### **PROPOSAL FOUR – Proposed Change in Methodology for Inbound RPW Reporting**

The Postal Service proposes to use the Foreign Postal Settlement (FPS) System to report international revenue pieces and weights for international products. The FPS System will replace the current approach that uses revenues from past reports and does not report pieces and weight. Request at 9.

In its FY 2010 ACD the Postal Service and Commission discussed the Postal Service's plans to use the FPS system to use an accrual versus an imputed method for collecting expense and revenue data. FY 2010 ACD at 29. The FPS system data better aligns international expense and revenue data with domestic expense and revenue data.

#### ***Comments***

Using the FPS System report revenues, pieces and weights for international products is reasonable. The Commission requested that the Postal Service start accounting for revenue using a booked method, and this system will enable the Postal

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<sup>3</sup> See Order Establishing Final Rules Prescribing Form and Content of Periodic Reports, April 16, 2009 (herein "Final Rule").

Service to meet the Commission's request. See FY 2010 Annual Compliance Determination at 142 fn 11.

The FPS system better aligns product revenues, volumes, and weights with products. However, the Postal Service's proposal does not exactly match the official Product List. For example, Inbound International Money Transfer Service (IMTS) is a separate product from Outbound International Money Transfer Service. Neither product is listed in the Postal Service's supporting workpapers, only a product grouping "Intl. Money Orders & Money Transfer Service" that presumably includes both inbound and outbound IMTS.

The Public Representative recommends that the Commission approve Proposal Four, however the Postal Service should strive to ensure volume, revenue, and cost data is available for each product, especially competitive products that must meet the requirements of 39 U.S.C. 3633(a)(2).

#### **PROPOSAL FIVE – New Mail Processing Cost Pool for FSS Operations**

The Postal Service proposes the addition a new cost pool for Flats Sequencing System (FSS) operations. Currently, these FSS operations are included in the AFSM 100 operations cost pool.

In the FY 2010 ACD the Commission stated that is assumed "that data reported separately for FSS operations will be provided in the Postal Service's ACR for FY 2011". 2010 ACD at 177.

#### ***Comments***

There are two MODS codes that are associated with FSS operations. Proposal Five would remove these MODS codes from the AFSM100 cost pool and create a

separate cost pool for FSS. This seems like a logical approach to isolate the costs associated with the FSS.

The Postal Service has not provided data that demonstrates the reliability of the MODS data for the FSS. The Postal Service indicates that “the scale of FSS operations has increased rapidly since FY 2010,” but does not discuss if data will be collected from all machines. As more FSS machines come online, there is the potential for increased costs for maintenance and testing the machines. The Postal Service has not explained how it plans to handle these potential additional costs.

The Public Representative assumes that the Postal Service put forth this proposal because the FSS data is now more reliable than in the past. However, the Postal Service has not provided any discussion of why the data is more reliable than it has been in previous years. In any case, Proposal Five is a step in the right direction and should be approved by the Commission.

#### **PROPOSAL SIX – Additional “Non-MODS” Mail Processing Cost Pools**

This proposal is designed to improve the alignment between MODS and non-MODS mail processing cost pools for post offices, and to clarify cost causation within the current non-MODS cost pool for miscellaneous operations. Order No. 810 at 4-5. At MODS plants there are a variety of MODS codes that are able to describe what task is being performed. At non-MODS offices, a more aggregate tally is recorded by using IOCS question 18. IOCS question 18 has many subparts and should have sufficient data to disaggregate the proposed cost pools. See USPS-FY10-37, excel file: IOCSDataEntryFlowchartFY10.xls, tab: Q18.

The Postal Service's proposal indicates that it has adequate data to disaggregate non-MODS cost pools to reflect similar MODS cost pools. The Postal Service plans to disaggregate current MODS cost pools such as Manual Processing of Letter (MANL), Flats (MANF), and Parcels (MANP). This approach will better align MODS and Non-MODS costs.

***Comments***

The disaggregation of the cost pools seems reasonable. However, the Postal Service has not explained how many tallies are available to perform the proposed disaggregation. It is beneficial to have cost disaggregated to the finest detail, however if there are insufficient tallies (i.e. small sample ) to support the disaggregation then costs could be misallocated.

The Postal Service plans to disaggregate the cost pools based on data from IOCS question 18. Chairman's Information Request No. 1 (CHIR No. 1) requested additional information on how the Postal Service plans to use the responses to IOCS question 18 to disaggregate the selected cost pools. See CHIR No. 1 questions 1-4. The Postal Service's answers to these questions will clarify how the cost pools will be disaggregated and the affect the disaggregation will have on the reliability of the data. If the Postal Service's responses to CHIR No. 1 indicate that the disaggregated cost pools will remain reliable (precise) the Public Representative recommends the approval of Proposal Six.

**PROPOSAL SEVEN – Change to Mixed-Mail Distribution Keys For MODS Allied Labor Cost Pools**

The “all pools” distribution key is used a broader distribution key that is used for for mixed mail costs in allied cost pools because the proportion of direct tallies to mixed mail tallies is low. For the allied workload the Commission found in R97-1 that “a combination of IOCS direct tallies from within each allied pool and the IOCS direct tallies across all pools will provide a better indication of the subclasses responsible for the various kinds of allied workload”. PRC Op. R97-1 ¶3143.

Proposal Seven requests the exclusion of certain types of mail from the broad “all pools” distribution key that are highly likely to receive direct IOCS tallies. Specifically, the Postal Service proposes to remove pieces that “bypass” mail processing units (DDU dropshipped mail) and pieces that are processed at ISCs.

The Postal Service argues that dropshipped mail at MODS post offices is likely to receive direct tallies because those pieces are easily identified and therefore should not be included in the distribution key for mixed mail. Presumably, since these pieces receive a high level of direct tallies the Postal Service believes that the distribution key is skewed towards these types of pieces. The Postal Service states that Proposal Seven “reduces potential bias of MODS allied labor mixed-mail distributions by excluding MODS post office tallies that include tallies for mail bypassing plants.” Request at 21.

**Comments**

The Postal Service's proposal is logical. However, the proposal is lacking key information. The Postal Service explains that the inclusion of bypass and ISC mail *may*

bias the distribution key, but does not demonstrate that the removal of these types of mail will improve the accuracy of the “all pools” distribution key. Request at 19.

The Commission previously suggested that the Postal Service should “test the degree of bias that remains by selective audits of sampled facilities.” PRC Op. R97-1 ¶3145. The Public Representative believes this analysis should be conducted before the approval of the proposal. Collecting samples of mixed mail and comparing the mail to the current and proposed distribution keys will aid in determining the accuracy of the current and proposed “all pools” distribution key. The Commission should consider approving the proposal only after evaluating the accuracy of the proposed distribution key compared to the current distribution key.

#### **PROPOSAL EIGHT – New Treatment of Express Mail as Accountable Mail on City Carrier Letter Routes**

The Postal Service proposal alters the assumption that all Express Mail pieces are accountable pieces. The Postal Service Domestic Mail Manual (DMM) section 213.4.1b states:

When waiver of signature is authorized by the mailer, the delivery employee signs upon delivery. The item is delivered to the addressee's mail receptacle or other secure location. Mailers who waive the signature requirement will be provided only the delivery date and will not receive an image of the signature when accessing the delivery record on the Internet or by phone. Restrictions for waiver of signature are defined in 503.1.1.7 and 503.1.1.8.

The Commission defines Accountable Mail as follows:

**ACCOUNTABLE MAIL** – Mail that requires the signature of the addressee or the addressee's agent upon receipt to provide proof of delivery or indemnification for loss or damage. This includes Express Mail and special services mail such as certified mail, collect on delivery, insured mail for more than \$50, registered mail,

and return receipt for merchandise. Source: Glossary of Postal Terms, USPS Publication 32, May 1997. See PRC Glossary of Postal Terms.

When delivering an Express Mail piece, the carrier's scanner prompts the carrier to determine if the Express Mail piece has a signature waiver. The response to this query provides data to CCCS to distinguish between pieces that have a signature waiver and those pieces that require a signature.

### ***Comments***

The Postal Service's proposal presents a distinct way to distinguish between Express Mail pieces that require a signature upon delivery and those that do not require a signature upon delivery. Since both definitions of accountable mail above are based on a required signature, it is now unfair to define all Express Mail as accountable, when only a portion requires signature. Therefore, the costs associated with retrieving a signature should not be assumed for all Express Mail pieces, only for those pieces that require a signature.

However, even if every Express Mail piece does not meet the definition of accountable, costs specific to Express Mail still exist, such as the carrier must fill out the proper form and scan the mail piece. Assuming that these costs will remain allocated to Express Mail pieces, the Postal Service's proposal to remove the assumption that all Express Mail pieces are accountable is reasonable, and should be approved by the Commission.

### **CONCLUSION**

The Public Representative believes that proposals that improve accuracy are beneficial, and the Commission should approve such proposals.



The Public Representative respectfully submits the foregoing Comments for the Commission's consideration.

Respectfully submitted,

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